

**L'AZURDE COMPANY FOR JEWELRY AND ITS
SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS AND INDEPENDENT
AUDITOR'S REVIEW REPORT
FOR THE THREE AND NINE-MONTH PERIODS
ENDED SEPTEMBER 30, 2021**

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2021**

<u>INDEX</u>	<u>PAGE</u>
Independent Auditor's Review Report	1
Interim Condensed Consolidated Statement of Financial Position	2
Interim Condensed Consolidated Statement of Profit or Loss	3
Interim Condensed Consolidated Statement of Comprehensive Income	4
Interim Condensed Consolidated Statement of Changes in Equity	5
Interim Condensed Consolidated Statement of Cash Flows	6
Notes to the Interim Condensed Consolidated Financial Statements	7 - 15

Independent Auditor's Review Report

**To the Shareholders
L'azurde Company for Jewelry
(A Saudi Joint Stock Company)
Riyadh, Kingdom of Saudi Arabia**

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of **L'azurde Company for Jewelry (the "Company") and its subsidiaries (collectively referred to as the "Group")** as at September 30, 2021 and the related interim condensed consolidated statement of profit or loss and interim condensed consolidated statement of comprehensive income for the three-month and nine-month periods ended September 30, 2021 and the interim condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended and a summary of the significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with International Accounting Standard (IAS) 34 'Interim Financial Reporting', which is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed consolidated financial statements consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements is not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

**Baker Tilly MKM & CO.
Certified Public Accountants**



Majed M. Al-Nemer
(Certified Public Accountant - License No. 381)



Riyadh on Rabi' Al-Awwal 26, 1443H
Corresponding to November 1, 2021G

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT SEPTEMBER 30, 2021

		September 30, 2021 (Unaudited) SAR	December 31, 2020 (Audited) SAR
	Notes		
ASSETS			
Non-Current Assets			
Property and equipment		79,657,686	80,923,715
Right-of-use assets		32,028,766	33,696,747
Intangible assets and goodwill		138,182,451	139,167,816
Other non-current assets		2,157,330	1,798,095
Total Non-Current Assets		252,026,233	255,586,373
Current Assets			
Inventories		752,026,308	817,847,122
Accounts receivable	5	289,015,300	264,064,600
Other current assets		78,050,064	100,834,394
Gold margins		34,237,026	37,407,396
Cash margins		14,047,800	32,935,190
Cash and cash equivalents		71,464,103	141,363,622
Total Current Assets		1,238,840,601	1,394,452,324
TOTAL ASSETS		1,490,866,834	1,650,038,697
EQUITY AND LIABILITIES			
Equity			
Share capital	6	575,000,000	430,000,000
Statutory reserve		22,186,724	22,186,724
Retained earnings		28,232,315	9,911,958
Foreign currency translation reserve		(164,731,905)	(164,772,276)
Total Equity		460,687,134	297,326,406
Liabilities			
Non-Current Liabilities			
Long-term murabaha facility	7	-	55,000,000
Employees' end of service benefits		29,238,687	27,508,541
Lease liabilities		17,143,483	13,581,649
Deferred tax liability		1,725,818	1,725,119
Long-term payable		-	11,318,649
Total Non-Current Liabilities		48,107,988	109,133,958
Current Liabilities			
Accounts payable and other current liabilities		437,990,790	309,722,808
Current portion of long-term murabaha facility	7	-	20,000,000
Current portion of lease liabilities		12,645,187	15,872,614
Current portion of long term payable		-	40,845,560
Short-term murabaha facilities	8	508,734,757	837,600,269
Zakat and income tax liability	9	22,700,978	19,537,082
Total Current Liabilities		982,071,712	1,243,578,333
Total Liabilities		1,030,179,700	1,352,712,291
TOTAL EQUITY AND LIABILITIES		1,490,866,834	1,650,038,697

Ayman Gamil

Ayman Gamil
Chief Financial Officer

Selim Chidiac

Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed

Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(UNAUDITED)
FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2021

	Notes	Three-month period ended		Nine-month period ended	
		September 30, 2021	September 30, 2020	September 30, 2021	September 30, 2020
		SAR	SAR	SAR	SAR
REVENUE					
Gold		396,840,127	277,102,015	1,163,379,977	729,690,542
Operations		129,767,047	93,741,162	390,025,437	257,061,162
		526,607,174	370,843,177	1,553,405,414	986,751,704
COST OF REVENUE					
Gold		(396,840,127)	(277,102,015)	(1,163,379,977)	(729,690,542)
Operations		(49,892,655)	(45,806,870)	(150,082,108)	(117,450,902)
GROSS PROFIT		79,874,392	47,934,292	239,943,329	139,610,260
OPERATING EXPENSES					
Selling and marketing expenses		(44,991,407)	(37,797,177)	(132,597,262)	(107,284,496)
General and administrative expenses		(9,510,781)	(10,234,818)	(32,919,261)	(30,135,168)
Provision for expected credit loss		(1,379,582)	(11,438)	(2,385,731)	(6,032,183)
Loss on recall of products		-	-	-	(34,692,433)
OPERATING PROFIT / (LOSS)		23,992,622	(109,141)	72,041,075	(38,534,020)
OTHER INCOME / (EXPENSES)					
Other (expenses) / income – net		(4,620,123)	(1,883,812)	(7,314,153)	338,075
Finance costs – net		(6,506,199)	(13,384,307)	(24,639,815)	(39,478,874)
PROFIT / (LOSS) BEFORE ZAKAT AND INCOME TAX		12,866,300	(15,377,260)	40,087,107	(77,674,819)
Zakat	9	(1,547,064)	(2,114,444)	(6,804,685)	(6,827,036)
Income tax	9	(3,473,752)	(1,325,446)	(7,264,750)	(2,098,763)
NET PROFIT / (LOSS) FOR THE PERIOD		7,845,484	(18,817,150)	26,017,672	(86,600,618)
NET PROFIT / (LOSS) FOR THE PERIOD ATTRIBUTABLE TO:					
Equity holders of the parent		7,845,484	(18,817,150)	26,017,672	(86,600,618)
EARNINGS / (LOSS) PER SHARE:					
Basic	10	0.14	(0.44)	0.54	(2.01)
Diluted	10	0.14	(0.44)	0.54	(2.01)

Ayman Gamil
Ayman Gamil
Chief Financial Officer

Selim Chidiac
Selim Chidiac
Chief Executive Officer

Sabah Al Moayyed
Sabah Almoayyed
Authorized Board Member

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF
 COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE THREE AND NINE- MONTH PERIODS ENDED SEPTEMBER 30, 2021**

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
NET PROFIT / (LOSS) FOR THE PERIOD	7,845,484	(18,817,150)	26,017,672	(86,600,618)
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Re-measurement on employees' end of service benefits	-	-	-	-
Items that will be reclassified subsequently to profit or loss				
Exchange differences on translation of foreign operations	267,140	3,741,172	40,371	978,162
Other comprehensive income for the period – net of tax	267,140	3,741,172	40,371	978,162
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	8,112,624	(15,075,978)	26,058,043	(85,622,456)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD				
ATTRIBUTABLE TO:				
Equity holders of the parent	8,112,624	(15,075,978)	26,058,043	(85,622,456)

Ayman Gamil
 Ayman Gamil
 Chief Financial Officer

Selim Chidiac
 Selim Chidiac
 Chief Executive Officer

Sabah Al Moayyed
 Sabah Almoayyed
 Authorized Board Member

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

	Share Capital	Statutory Reserve	Retained Earnings	Foreign Currency Translation Reserve	Total Equity
	SAR	SAR	SAR	SAR	SAR
<u>NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2021</u>					
Balance at January 1, 2021 (Audited)	430,000,000	22,186,724	9,911,958	(164,772,276)	297,326,406
Share capital increase due to Rights issue (note 6)	145,000,000	-	-	-	145,000,000
Transaction costs of Rights issue (note 6)	-	-	(7,697,315)	-	(7,697,315)
Net profit for the period	-	-	26,017,672	-	26,017,672
Other comprehensive income for the period	-	-	-	40,371	40,371
Total comprehensive income for the period	-	-	26,017,672	40,371	26,058,043
Balance at September 30, 2021 (Unaudited)	575,000,000	22,186,724	28,232,315	(164,731,905)	460,687,134

NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2020

Balance at January 1, 2020 (Audited)	430,000,000	22,186,724	132,123,563	(166,099,226)	418,211,061
Net loss for the period	-	-	(86,600,618)	-	(86,600,618)
Other comprehensive income for the period	-	-	-	978,162	978,162
Total comprehensive loss for the period	-	-	(86,600,618)	978,162	(85,622,456)
Balance at September 30, 2020 (Unaudited)	430,000,000	22,186,724	45,522,945	(165,121,064)	332,588,605

Ayman Gamil Ayman Gamil Chief Financial Officer	Selim Chidiac Selim Chidiac Chief Executive Officer	Sabah Al Moayyed Sabah Almoayyed Authorized Board Member
--	--	---

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021**

	September 30, 2021 SAR	September 30, 2020 SAR
OPERATING ACTIVITIES		
Profit / (loss) before zakat and income tax	40,087,107	(77,674,819)
Adjustments to reconcile profit / (loss) before zakat and income tax to net cash from operating activities:		
Depreciation of property and equipment	12,025,323	12,115,075
Depreciation of right-of-use assets	21,225,091	19,765,546
Amortization of intangible assets	1,657,832	1,653,151
Provision for employees' end of service benefits	3,431,162	3,141,073
Provision for expected credit losses	2,385,731	6,032,183
Finance costs – net	24,330,593	38,901,540
(Gain) / loss on sale of property and equipment and intangible assets	(211,942)	32,056
Melting costs and charge for slow moving inventory	3,438,315	8,453,378
Foreign currency exchange differences - net	(31,818)	(1,640,036)
Operating income before changes in working capital	108,337,394	10,779,147
Net changes in working capital:		
Inventories	62,412,093	76,457,078
Accounts receivable	(27,329,829)	224,191,571
Other current assets	25,148,514	(9,443,734)
Accounts payable and other current liabilities	11,041,222	2,593,623
Account payable for gold	118,344,113	17,886,684
Gold margins	3,170,369	(49,757,074)
Short-term murabaha facilities	(205,619,557)	(180,326,229)
Cash generated from operating activities	95,504,319	92,381,066
Employees' end of service benefits paid	(1,703,990)	(4,482,452)
Finance costs paid	(18,575,105)	(28,232,266)
Income taxes paid	(2,828,262)	(2,980,805)
Zakat paid	(8,068,119)	(11,220,045)
Net cash generated from operating activities	64,328,843	45,465,498
INVESTING ACTIVITIES		
Purchase of property and equipment	(10,934,613)	(6,978,105)
Proceeds from sale of property and equipment	400,702	120,314
Purchase of intangible assets	(672,481)	(575,010)
Other non-current assets	(359,235)	3,655
Net cash used in investing activities	(11,565,627)	(7,429,146)
FINANCING ACTIVITIES		
Proceeds from capital increase (note 6)	145,000,000	-
Transaction costs of Rights issue (note 6)	(7,697,315)	-
Cash facilities (Tawaruq)	(123,245,955)	47,528,535
Long-term murabaha facility (note 7)	(75,000,000)	(9,000,000)
Long-term payable	(52,164,209)	-
Repayments of lease liabilities	(21,572,999)	(20,960,542)
Finance costs paid – cash facilities	(6,888,834)	(9,749,407)
Cash margins	18,887,390	67,046,288
Net cash (used in) / generated from financing activities	(122,681,922)	74,864,874
Net change in cash and cash equivalents	(69,918,706)	112,901,226
Cash and cash equivalents at beginning of the period	141,363,622	53,575,209
Exchange differences on cash and cash equivalents	19,187	794,739
Cash and cash equivalents at end of the period	71,464,103	167,271,174

Ayman Gamil

**Ayman Gamil
Chief Financial Officer**

Selim Chidiac

**Selim Chidiac
Chief Executive Officer**

Sabah Al Moayyed

**Sabah Almoayyed
Authorized Board Member**

The annexed notes from 1 – 15 form an integral part of these Interim Condensed Consolidated Financial Statements

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES

L'azurde Company for Jewelry (the "Company", "Parent Company") is a Saudi Joint Stock Company registered in Riyadh, Kingdom of Saudi Arabia under commercial registration number 1010221531 dated Jumad Thani 26, 1427H (corresponding to July 22, 2006). The Company's Head Office is located in Second Industrial Area, P.O. Box 41270, Riyadh 11521, Kingdom of Saudi Arabia.

The Company and its subsidiaries (together referred to as the "Group") are engaged in the production, manufacturing, forming and forging golden wares, jewelry, precious stones and golden alloys in accordance with the ministerial resolution number 1354/S dated April 21, 2008 corresponding to Rabi Thani 15, 1429H. The Group's other permissible activities include distribution of glasses, watches, accessories, pens, perfumes, leather products and export of gold wares, alloys and silver.

The Group carries out its activities through various branches in the Kingdom of Saudi Arabia and Kuwait and through subsidiaries in the Kingdom of Saudi Arabia, the United Arab Emirates, the Arab Republic of Egypt, the State of Qatar and the Sultanate of Oman. All these branches and subsidiaries are engaged in the trading of jewelry, gold and silver products.

The Parent Company directly owns 100% share capital in each subsidiary except L'azurde Company for Jewellery LLC ("LCJ Qatar") in the State of Qatar. The direct ownership of the Parent Company in LCJ Qatar is 49%; however, based on the agreement with the nominee shareholder of LCJ Qatar, the Parent Company is entitled to 98% of the economic benefits of LCJ Qatar.

The Group carries out its activities through the following subsidiaries as set out below:

- a) **ORO Egypt For Manufacturing Precious Metals ("ORO")**
ORO is a Joint Stock Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 7877 dated January 27, 2003. The principal activities of ORO are gold jewelry manufacturing and trading.
- b) **L'azurde Egypt for Jewellery LLC ("LJ Egypt")**
LJ Egypt is a Limited Liability Company incorporated in the Arab Republic of Egypt under Commercial Registration no. 14997 dated June 8, 2005. The principal activities of LJ Egypt are gold jewelry manufacturing and trading.
- c) **L'azurde Company for Jewellery LLC ("LCJ Dubai")**
LCJ Dubai is a Limited Liability Company incorporated in the United Arab Emirates (Dubai) under Commercial Registration no. 620369 dated December 23, 2008. The principal activity of LCJ Dubai is trading of gold jewelry items.
- d) **L'azurde Jewellery LLC ("LJ Abu Dhabi")**
LJ Abu Dhabi is a Limited Liability Company incorporated in the United Arab Emirates (Abu Dhabi) under Commercial Registration no. 1060233 dated June 1, 2004. The principal activity of LJ Abu Dhabi is trading of gold jewelry items.
- e) **L'azurde Company for Jewellery LLC ("LCJ Qatar")**
LCJ Qatar is a Limited Liability Company incorporated in the State of Qatar under Commercial Registration no. 60716 dated May 21, 2013. The principal activity of LCJ Qatar is trading of gold jewelry items.
- f) **Almujwharat Almasiah LLC ("AA")**
AA is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration number 1010236734 dated Rajab 25, 1428H (corresponding to August 8, 2007). The principal activities of AA are trading of gold and silver products and precious stones.

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021**

1. ORGANIZATION AND PRINCIPAL ACTIVITIES (continued)

g) Kenaz LLC ("Kenaz")

Kenaz is a Limited Liability Company incorporated in the Kingdom of Saudi Arabia under Commercial Registration no. 1010352574 dated Dhul Qadah 21, 1433H (corresponding to October 6, 2012). The principal activities of Kenaz are trading of gold and silver products and precious stones.

h) L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC")

L'azurde DMCC is a Limited Liability Company registered with Dubai Multi Commodities Centre Authority, UAE under Trade License No. DMCC 108442 dated February 26, 2015. The principal activity of L'azurde DMCC is trading of pearls, precious stones and gold jewellery.

i) L'azurde Jewellery LLC ("LJ Oman")

LJ Oman is a Limited Liability Company registered in the Sultanate of Oman under Commercial Registration no. 1320525 dated May 30, 2018. The principal activity of LJ Oman is manufacturing and trading of jewelry made from precious metals or stones.

j) Izdiad Commercial Company of Arabia ("Izdiad")

Izdiad is a Limited Liability Company registered in the Kingdom of Saudi Arabia under Commercial Registration number 1010458294 dated Dhul Hijjah 25, 1439H (corresponding to September 5, 2018). The principal activity of Izdiad is the trading of jewellery, perfume, men and women accessories, leather products and managing franchises and trademarks.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as endorsed in Kingdom of Saudi Arabia by Saudi Organization for Chartered and Professional Accountants ("SOCPA") and other standards and pronouncements issued by SOCPA. The interim condensed financial statements should be read in conjunction with the Group's last annual audited consolidated financial statements as at and for the year ended December 31, 2020, and they do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand any material changes in Group's financial position and performance since the last annual financial statements.

The interim condensed consolidated financial statements for the period ended September 30, 2021 were approved and authorized for issue by the Board of Directors on Rabi' Al-Awwal 26, 1443H (corresponding to November 1, 2021).

2.2 Preparation of the Financial Statements

These interim condensed consolidated financial statements have been prepared under historical cost basis except for employees' end of service benefits provision which has been valued by an independent professional actuary and certain financial assets and financial liabilities which are measured at fair value. All the amounts are presented in Saudi Riyal (SAR), which is also the functional and presentational currency of the Parent Company and rounded off to the nearest Saudi Riyal, except for earnings per share.

2.3 Use of Estimates and Judgments

The preparation of interim condensed consolidated financial statements in accordance with IFRSs applicable in the Kingdom of Saudi Arabia requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021**

2. BASIS OF PREPARATION (continued)

2.3 Use of Estimates and Judgments (continued)

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainties were the same as those disclosed in the last annual Consolidated Financial Statements.

The Group has reviewed the key sources of estimation uncertainties disclosed in the last annual Consolidated Financial Statements. Management believes that all sources of estimation uncertainties remain similar to those disclosed in the annual Consolidated Financial Statements. Management will continue to monitor the situation and any changes required will be reflected in future reporting periods.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

New Standards issued but not yet effective as at January 1, 2021

There are no new standards issued, however, there are number of amendments to standards which are effective from January 1, 2021 and have been explained in Group's Annual Consolidated Financial Statements, but they do not have a material effect on the Group's Interim Condensed Consolidated Financial Statements.

5. ACCOUNTS RECEIVABLE

	September 30, 2021 (Unaudited) SAR	December 31, 2020 (Audited) SAR
Accounts receivable - Gross	325,562,525	298,336,378
Provision for expected credit losses	(36,547,225)	(34,271,778)
Accounts receivable - Net	289,015,300	264,064,600

Accounts receivable originate from offering term facilities to the Group's wholesale customers to pay their commitments, including the value of the gold purchased. These credit terms are in response to the demand of Group's wholesale customers and are considered to be in compliance with Shari'a provisions according to Shari'a opinion issued by the Shari'a Advisory Committee of the Council of Saudi Chambers, a number of Shari'a Scholars and the conclusion of the meetings between these Scholars and the Group's management (see note 14). Credit sales are only offered to the Group's wholesale customers and not retail customers.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

6. SHARE CAPITAL

	September 30, 2021 (Unaudited) SAR	December 31, 2020 (Audited) SAR
At beginning of the period / year	430,000,000	430,000,000
Increase in share capital during the period	145,000,000	-
At end of the period / year	575,000,000	430,000,000

The authorized and paid-up share capital of the Company as at September 30, 2021 is SAR 575,000,000 (December 31, 2020: SAR 430,000,000), divided into 57,500,000 shares (December 31, 2020: 43,000,000 shares) with a face value of SAR 10 per share.

On October 11, 2020, the Board of directors of the Company recommended an increase of SAR 145,000,000 in the Company's share capital by way of rights issue by issuing 14,500,000 shares at SAR 10 each. The Company's request for share capital increase was approved by the Capital Market Authority on April 7, 2021 and subsequently presented and approved by the Company's Shareholders at the Extraordinary General Assembly held on June 2, 2021. The Company finalized all regulatory requirements related to the share capital increase on June 30, 2021. The total transaction costs in relation to the share capital increase amounted to SAR 7.7 million and these were reduced from the retained earnings of the Company in line with the requirements of applicable accounting standards.

The purpose of the share capital increase is to use the proceeds of the offering to finance expansion plans in retail channel, reduce debt and develop e-commerce platforms.

7. LONG-TERM MURABAHA FACILITY

	September 30, 2021 (Unaudited) SAR	December 31, 2020 (Audited) SAR
Long-term murabaha facility	-	75,000,000
Less: current portion	-	(20,000,000)
Non-current portion	-	55,000,000

The Group obtained a murabaha finance facility from a bank to finance the acquisition of Izdiad Commercial Company of Arabia. The facility was for a period of seven years at profit rate of SAIBOR plus an agreed rate with the bank and payable in semi-annual installments. The whole amount of this long-term murabaha facility has been early repaid in the second quarter of 2021, using the proceeds of share capital increase by way of rights issue (see note 6).

8. SHORT-TERM MURABAHA FACILITIES

		September 30, 2021 (Unaudited) SAR	December 31, 2020 (Audited) SAR
Gold facilities (Murabaha)	8.1	503,734,755	709,354,312
Cash facilities (Tawaruq)	8.2	5,000,002	128,245,957
		508,734,757	837,600,269

**L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)**

**NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021**

8. SHORT-TERM MURABAHA FACILITIES (continued)

- 8.1** Total gold procurement facilities of the Group as at September 30, 2021 amounted to SAR 503.7 million compared to SAR 709.4 million as at December 31, 2020. All outstanding financial facilities agreements are in the form of Murabaha and Tawaruq agreements to finance the supply of pure gold.

The Group has Islamic Murabaha facilities to obtain gold from various banks to finance gold working capital requirements, with maturity periods ranging from 1 to 3 months (2020: 1 to 3 months) with agreed profit rates. All of these financial facilities are compliant with Shari'a principles as per Shari'a certificates issued by banks' internal Shariaa Committees including Murabaha facilities (Tawaruq) to finance the purchase of gold, as banks buy commodities other than gold or silver and then sell them to the Group on a credit basis. The Group then sells the goods to a third party, and the bank immediately buys the gold using cash sales proceeds of the commodity.

- 8.2** Represents Islamic Tawaruq cash facilities from various banks solely to finance working capital requirements of the Group, with agreed profit rates and maturity periods ranging from 1 to 9 months (2020: 1 to 9 months).

9. ZAKAT AND INCOME TAX

Zakat for the period

Zakat charge on the Group for the nine-month period ended September 30, 2021 amounted to SAR 6.8 million (2020: SAR 6.8 million).

Income taxes related to foreign subsidiaries for the period

Income tax charges on subsidiaries for the nine-month period ended September 30, 2021 amounted to SAR 7.3 million (2020: SAR 2.1 million).

ORO Egypt Company ("ORO") and L'azurde Egypt for Jewellery LLC ("LJ Egypt") have accrued income tax on their estimated taxable profit at 22.5%. L'azurde Company for Jewellery LLC ("LCJ Qatar") and L'azurde Jewellery LLC ("LJ Oman") have accrued income tax on their estimated taxable profits at 10% and 15% respectively.

Status of zakat assessments

The Company has filed the zakat returns for all the years up to 2020 and obtained respective zakat certificates. The Company has received an assessment for the years 2015-17 with a liability of approximately SAR 8.3 million, in addition to delay penalty, relating to a potential income tax liability on one of its previous shareholders. The Company has appealed against such assessment within 60 days from receiving the assessment. No provision was created for this assessment as the Company believes that this matter relates to previous shareholders.

Status of income tax assessments related to foreign subsidiaries

ORO, registered in Arab Republic of Egypt, was exempt from Corporate Income Tax until December 31, 2014 according to the Egyptian Law number 8 of the year 1997. ORO received tax assessments and settled its tax liabilities on non-exempt activities till the year 2014. ORO paid all taxes due on its non-exempt activities to date.

LJ Egypt, registered in Arab Republic of Egypt, was exempt from income tax on its commercial and manufacturing operations for a period of 10 years ended December 31, 2018. LJ Egypt paid all taxes due on its non-exempt activities to date.

L'azurde Jewellery LLC ("LJ Oman"), registered in the Sultanate of Oman, filed its first tax return for year ended December 31, 2020 and no assessment has been received yet.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

9. ZAKAT AND INCOME TAX (continued)

L'azurde Company for Jewellery LLC ("LCJ Qatar"), registered in the State of Qatar, filed its tax return for year 2020 and the tax assessments for the company have been finalized up to year ended December 31, 2015.

Lazurde Company for Jewellery LLC ("LCJ Dubai"), L'azurde Jewellery LLC ("LJ Abu Dhabi") and L'azurde Group for Gold and Jewellery DMCC ("L'azurde DMCC") are registered in the United Arab Emirates which is a tax-free country, so no tax returns have been filed.

10. EARNINGS / (LOSS) PER SHARE - BASIC AND DILUTED

	<u>Three-month period ended</u>		<u>Nine-month period ended</u>	
	<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>September 30, 2021</u>	<u>September 30, 2020</u>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Basic and diluted earnings per share				
Net profit / (loss) for the period attributable to equity holders of the parent (in SAR)	7,845,484	(18,817,150)	26,017,672	(86,600,618)
Weighted average number of ordinary shares during the period	57,500,000	43,000,000	47,833,333	43,000,000
Basic and diluted earnings / (loss) per share (in SAR)	<u>0.14</u>	<u>(0.44)</u>	<u>0.54</u>	<u>(2.01)</u>

There is no dilution effect on the basic earnings per share of the Group as the Group has no convertible dilutive potential ordinary shares outstanding as at September 30, 2021 and September 30, 2020.

The weighted average number of ordinary shares during the current period has changed as the capital increase by way of rights issue happened on June 30, 2021 (see note 6).

11. RELATED PARTY TRANSACTIONS AND BALANCES

Related parties of the Group include shareholders, Board of Directors, key management personnel and entities of which they are principal owners. The terms of the transactions with related parties are approved by the Group's management. Transactions with related parties are entered and expected to be settled in the normal course of the Group's business. Pricing policies and terms of these transactions are at arm's length.

Transactions with related parties during the period and the balances as at end of the period / year are as follows:

		<u>Nature of transactions</u>		<u>Amount of Transactions</u>		<u>Balances payable</u>	
				<u>September 30, 2021</u>	<u>September 30, 2020</u>	<u>September 30, 2021</u>	<u>December 31, 2020</u>
				<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Audited)</u>
				<u>SAR</u>	<u>SAR</u>	<u>SAR</u>	<u>SAR</u>
Other affiliates:							
Board of Directors and key management personnel	Remuneration			7,056,356	6,539,237	669,212	147,950
Director	Consultancy fees			376,875	376,875	125,625	125,625
				<u>7,433,231</u>	<u>6,916,112</u>	<u>794,837</u>	<u>273,575</u>

The members of Board of Directors do not get any remuneration for their services. The Board of Directors remuneration stated above relates only to the Independent directors and one non-executive director, as approved in the Annual General Meeting.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

12. SEGMENT REPORTING

The Group is organized into wholesale and retail business segments. These operating segments are monitored by the Group's Chief Operating Decision Maker. All the intra-group revenues and other balances are eliminated on consolidation. Details of the Group's segments are as follows:

<u>Nine-months ended September 30, 2021</u> <u>(Unaudited)</u>	<u>Wholesale</u> <u>SAR</u>	<u>Retail</u> <u>SAR</u>	<u>Total</u> <u>SAR</u>
Revenues – Gold	1,163,379,977	-	1,163,379,977
– Operations	222,201,947	167,823,490	390,025,437
Gross profit	153,628,842	86,314,487	239,943,329
 <u>As at September 30, 2021 (Unaudited)</u>			
Property and equipment	66,282,169	13,375,517	79,657,686
Total assets	1,220,727,736	270,139,098	1,490,866,834
Total liabilities	(992,775,821)	(37,403,879)	(1,030,179,700)
 <u>Nine-months ended September 30, 2020</u> <u>(Unaudited)</u>	<u>Wholesale</u> <u>SAR</u>	<u>Retail</u> <u>SAR</u>	<u>Total</u> <u>SAR</u>
Revenues – Gold	729,690,542	-	729,690,542
– Operations	136,222,168	120,838,994	257,061,162
Gross profit	82,375,538	57,234,722	139,610,260
 <u>As at December 31, 2020 (Audited)</u>			
Property and equipment	66,111,163	14,812,552	80,923,715
Total assets	1,324,280,591	325,758,106	1,650,038,697
Total liabilities	(1,183,631,188)	(169,081,103)	(1,352,712,291)

13. FINANCIAL INSTRUMENTS

Fair value measurements of financial instruments

Assets and liabilities measured at fair value in the interim condensed consolidated statement of financial position are grouped into three levels of fair value hierarchies. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table shows the fair value of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

13. FINANCIAL INSTRUMENTS (continued)

<u>September 30, 2021</u> <u>(Unaudited):</u>	<u>Fair value (in SAR)</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:				
Accounts receivable	252,125,186	-	-	252,125,186
Other current assets	28,438,601	-	-	28,438,601
Gold margins	34,237,026	-	-	34,237,026
Financial liabilities:				
Account payable for gold	375,280,778	-	-	375,280,778
Short-term murabaha facilities	503,734,755	-	-	503,734,755
<u>December 31, 2020 (Audited):</u>				
Financial assets:				
Accounts receivable	242,403,689	-	-	242,403,689
Other current assets	39,734,410	-	-	39,734,410
Gold margins	37,407,396	-	-	37,407,396
Financial liabilities:				
Account payable for gold	256,936,665	-	-	256,936,665
Short-term murabaha facilities	709,354,312	-	-	709,354,312

14. COMPLIANCE WITH SHARI'A RULES

In accordance with Shari'a Standard no. 21 "Financial Paper (Shares and Bonds)" issued by the Shari'a Committee of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), below are the conclusions of Company's management:

- The Group's main operations of gold and jewelry manufacturing is a Shari'a compliant activity in principle;
- All credit facilities and financing availed by the Group from banks during the review period are in compliance with Islamic Shari'a provisions; and
- Cash sales through retail outlets and cash wholesale sales on credit are in compliance with Shari'a.

The Group relies in its policies for wholesale gold sales on selling gold jewelry on credit basis against gold or crushed gold that is equal to it in weight plus an additional charge for workmanship, based on the Shari'a opinion which permits selling of gold jewelry on credit basis. This is the point of view of a group of scholars of Islamic jurisprudence, including Imam Ibn Taymiyah and his disciple Ibn al-Qayyim, which also includes a number of contemporary scholars, including a number of members of the Shari'a Board of AAOIFI, as well as issuance of Shari'a opinion by the Shari'a Advisory Committee of the Council of Saudi Chambers, whose conclusion stipulated the permissibility of gold and silver credit sales between retailers and wholesalers and manufacturers, subject to the following guidelines:

- Ensures the permissibility of gold ornaments manufacturing and ensures that fabricated ornament has a significant value, and not an unreal cover to usury provisions; and
- Ensures that ornament's fabricated gold is required for purchase by itself and not only the pure gold.

This is one of the legitimate conclusions on dealing in the trade of gold jewelry and is not considered a breach of the Group's compliance with the Shari'a rules and does not affect the Shari'a classification of the Group's activities.

L'AZURDE COMPANY FOR JEWELRY AND ITS SUBSIDIARIES
(A SAUDI JOINT STOCK COMPANY)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE- MONTH PERIOD ENDED SEPTEMBER 30, 2021

15. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation in the current period, as follows:

Category	September 30, 2020		
	Before Reclassification SAR	Effect of Reclassification SAR	After Reclassification SAR
Revenues – Gold	918,394,793	(188,704,251)	729,690,542
Cost of revenues – Gold	(918,394,793)	188,704,251	(729,690,542)
Net impact on gross profit	-	-	-